

# Project Financials

- Additional risk factors to evaluate include:
- Rental and market risk
- Accounting for BATA funds

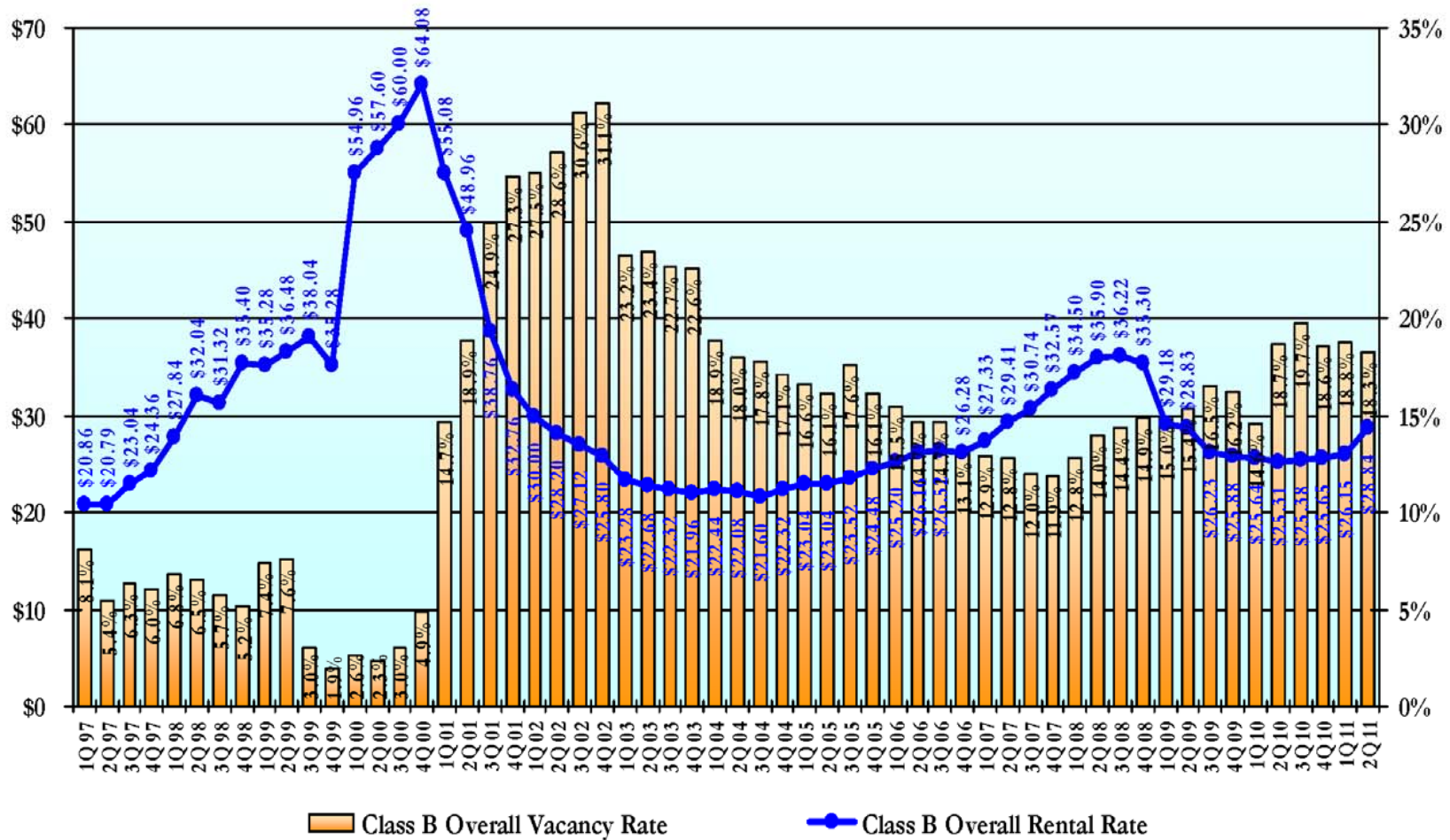
# Rental Market

- **According to information provided by Cushman & Wakefield, there is currently demand for nearly 4 million square feet of rentable space**
  - The demand pattern has consistently ranged between 2 million and 4 million square feet
- **Even given the recession, vacancy rates are well below 2001 levels**
- **Rental rates and occupancy levels seem to have stabilized since the start of the recession**
  - The occupancy rate in the central business district is slightly better than the citywide rate



# San Francisco - Citywide

## Class B Overall Quarterly Trends



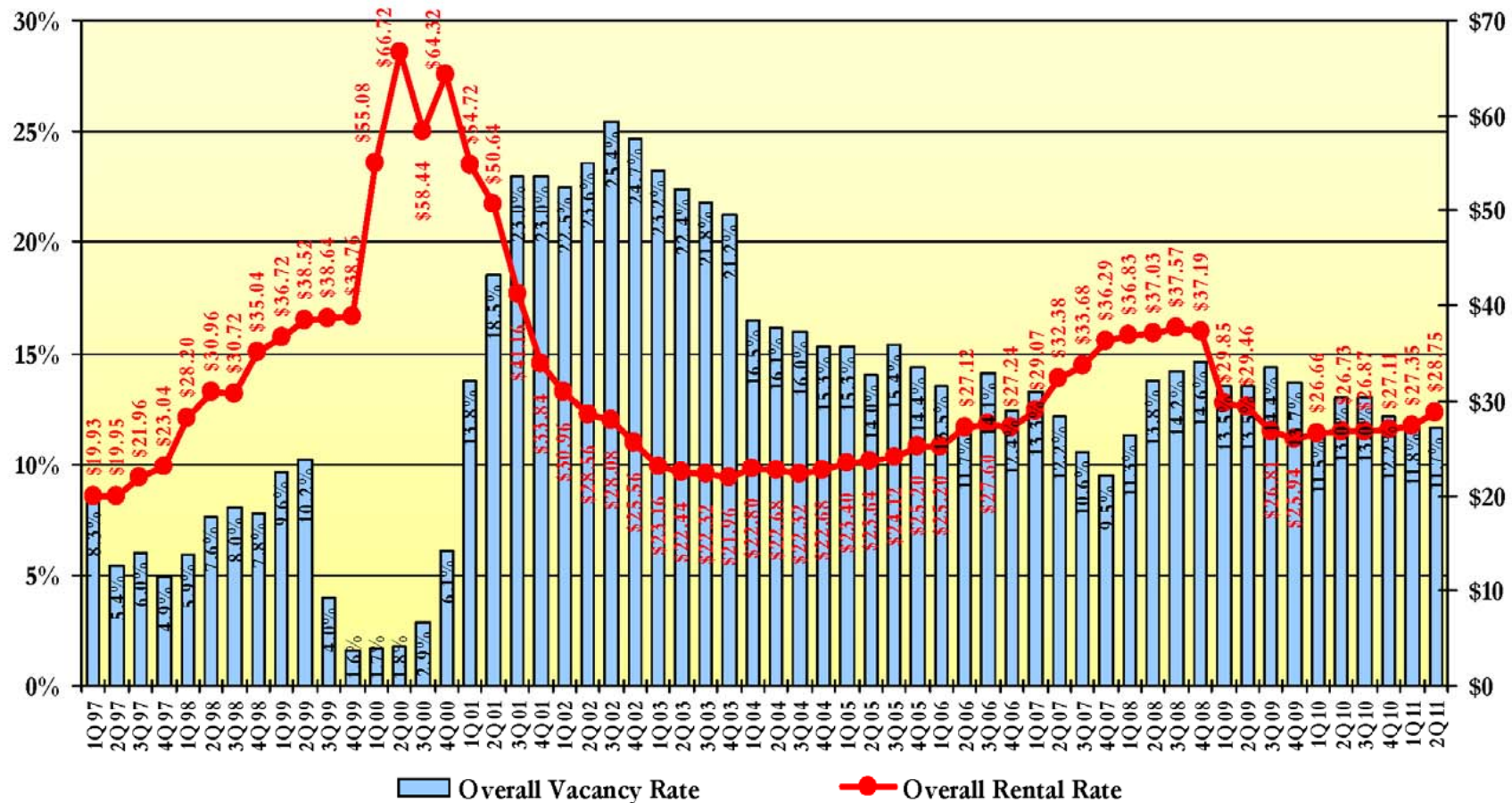
Source: Cushman & Wakefield Research





# Central Business District (CBD)

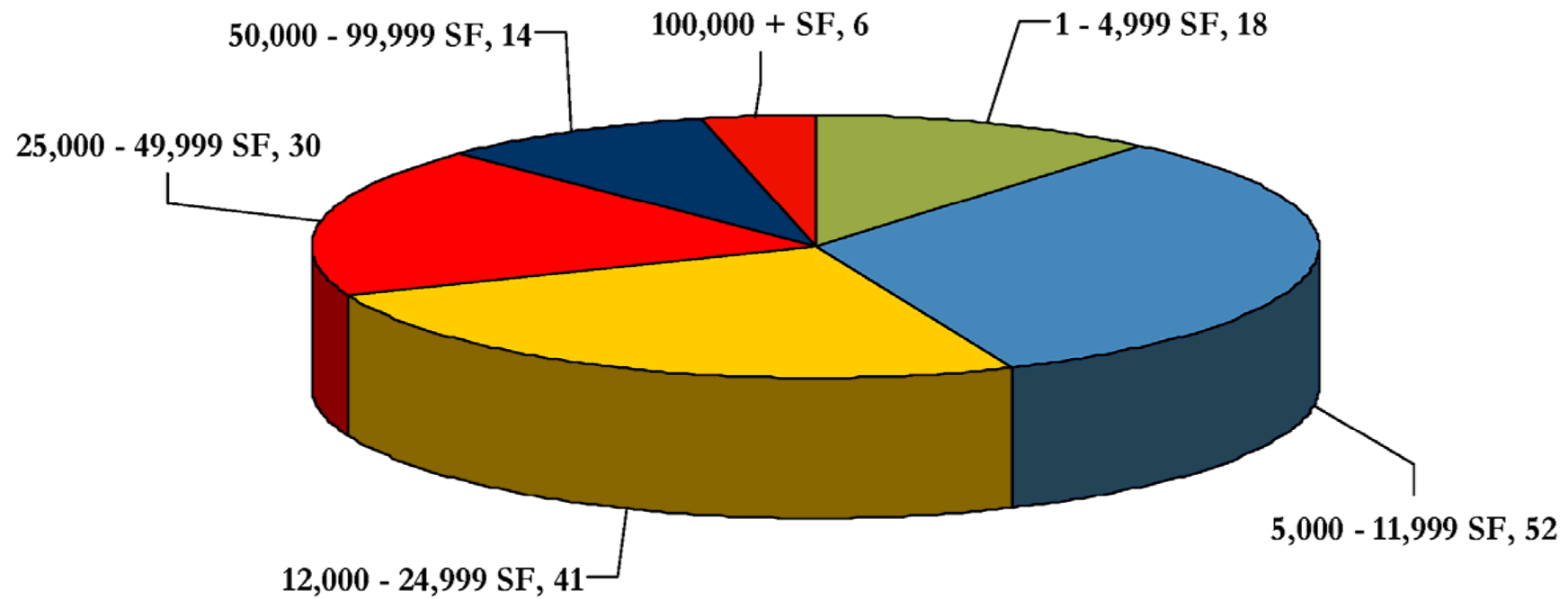
## Class B Overall Quarterly Trends





## San Francisco - Current Tenant Demand

Breakdown by Square Footage Second Quarter 2011



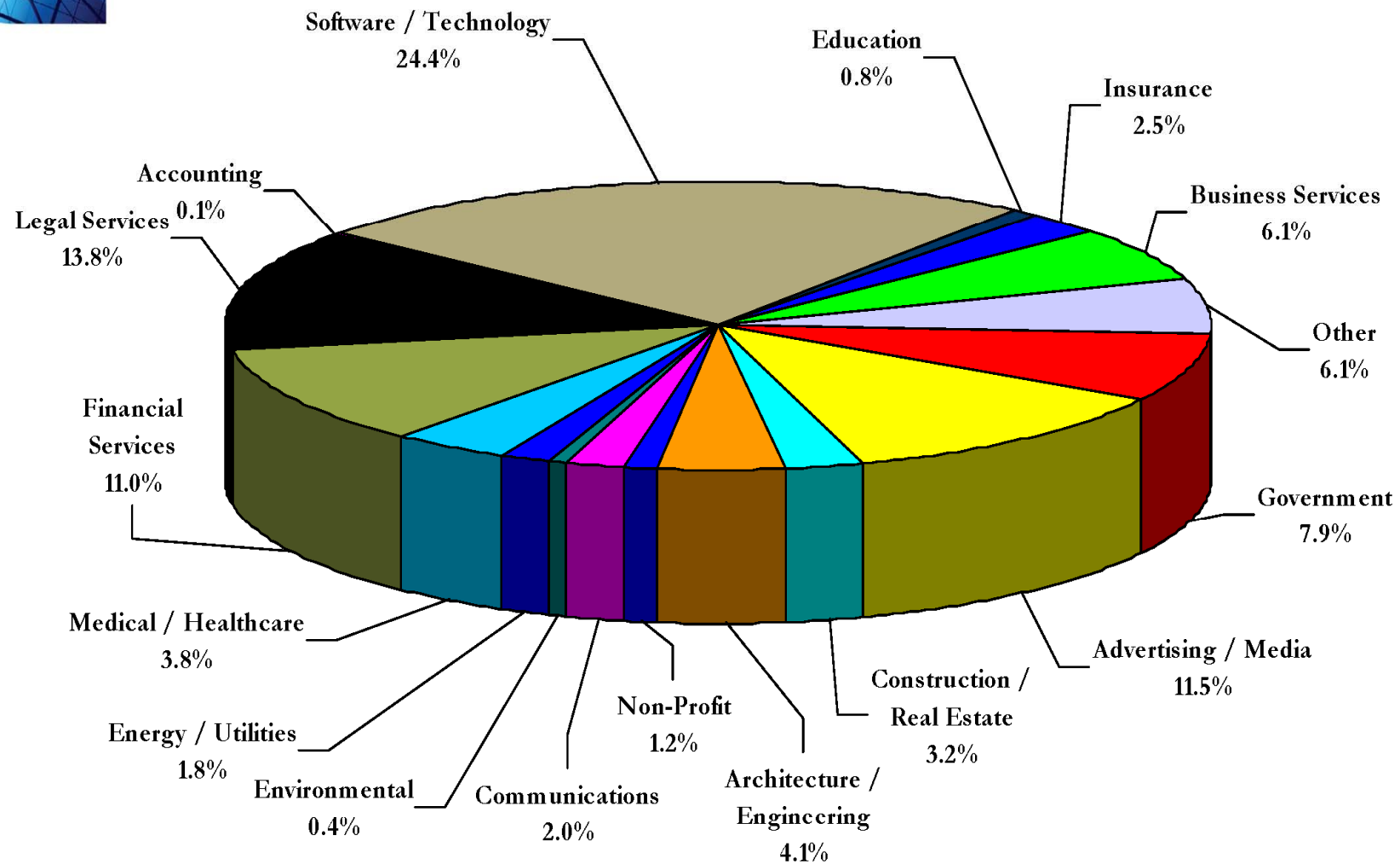
3,953,300 Square Feet of Total Active Tenant Requirements

Source: Cushman & Wakefield Research



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**3,953,300 Square Feet of Total Active Tenant Requirements**

# Project Cost

- The total project budget of \$180 million “nets” down to a total BATA/MTC cost of \$141 million (\$283 sf)
- “Net” costs are achieved after removing the Air District Purchase in accordance with the approved principles and cost of commercial tenant improvements

			390 Main San Francisco Post Office	
Purchase			\$	105,750,000
Building Improvements	\$/sf			25,160,723
<b>Total Building Cost</b>			\$	<b>130,910,723</b>
Tenant Improvements	\$	48		23,865,792
<b>Total Development</b>			\$	<b>154,776,515</b>
Development Contingency				15,000,000
Optional Exterior Enhancement				10,000,000
<b>Total With Options</b>	\$	362	\$	<b>179,776,515</b>
Commercial TI		(30)	\$	(15,086,592)
Air Dist Payment		(48)		(24,000,000)
<b>Net Cost</b>	\$	<b>283</b>	\$	<b>140,689,923</b>



# Project Proforma

- Utilizing an average occupancy rate of 70% and limiting BATA/MTC and the Air District to utility payments only, the potential Net Operating Income (NOI) paid to BATA over 30 years is \$190 million

Rate *	\$ 32.40		Years	Years	Years	Years	Years	Years	30 Year
Occupancy	70%		0-5	6-10	11-15	16-20	21-25	26-30	Total
SF	497,204								
Operating Revenue	\$/sf								
MTC/BATA	\$ 15.00	122,100	\$ 9,723,682	\$ 11,272,413	\$ 13,067,816	\$ 15,149,180	\$ 17,562,052	\$ 20,359,231	
Air Dist	\$ 15.00	60,800	4,841,932	5,613,126	6,507,152	7,543,572	8,745,068	10,137,930	
BCDC	\$ 32.40	20,000	3,520,000	4,040,000	4,540,000	5,040,000	5,540,000	6,040,000	
Commercial Rent	\$ 32.40	294,304	31,372,806	41,614,586	46,764,906	51,915,226	57,065,546	62,215,866	
<b>Total Revenue Sources</b>			<b>\$ 49,458,420</b>	<b>\$ 62,540,124</b>	<b>\$ 70,879,873</b>	<b>\$ 79,647,978</b>	<b>\$ 88,912,665</b>	<b>\$ 98,753,027</b>	<b>\$ 450,192,087</b>
Operating Costs	\$/sf								
MTC/BATA	\$ 15.00		\$ 9,723,682	\$ 11,272,413	\$ 13,067,816	\$ 15,149,180	\$ 17,562,052	\$ 20,359,231	
Air Dist	\$ 15.00		4,841,932	5,613,126	6,507,152	7,543,572	8,745,068	10,137,930	
BCDC	\$ 15.00		1,592,741	1,846,423	2,140,510	2,481,438	2,876,667	3,334,845	
Property Mgt	\$ 2.25		2,549,408	2,317,644	2,317,644	2,317,644	2,317,644	2,317,644	
TI	\$ 48.00	\$ 15,086,592	19,612,570	11,314,944	11,314,944	11,314,944	11,314,944	11,314,944	
Capital/Other			-	5,016,072	5,016,072	5,016,072	5,016,072	5,016,072	
<b>Total Cost</b>			<b>\$ 38,320,333</b>	<b>\$ 37,380,622</b>	<b>\$ 40,364,138</b>	<b>\$ 43,822,851</b>	<b>\$ 47,832,447</b>	<b>\$ 52,480,667</b>	<b>\$ 260,201,057</b>
<b>Net Operating Income (NOI)</b>			<b>\$ 11,138,088</b>	<b>\$ 25,159,502</b>	<b>\$ 30,515,735</b>	<b>\$ 35,825,127</b>	<b>\$ 41,080,218</b>	<b>\$ 46,272,360</b>	<b>\$ 189,991,030</b>
Project Cost (net)			\$ (140,689,923)	\$ (129,551,835)	\$ (104,392,333)	\$ (73,876,598)	\$ (38,051,471)	\$ 3,028,747	\$ (140,689,923)
<b>Ending Balance</b>			<b>\$ (129,551,835)</b>	<b>\$ (104,392,333)</b>	<b>\$ (73,876,598)</b>	<b>\$ (38,051,471)</b>	<b>\$ 3,028,747</b>	<b>\$ 49,301,107</b>	<b>\$ 49,301,107</b>

\* SF annual Class "B" office space March, 2011





# Project Capacity

- **Funds are not tied up for any length of time**
  - Annual NOI can be utilized by BATA at any time for any eligible toll project or utilized for liquidity
- **At 70% average occupancy**
  - The potential average annual NOI that will flow to BATA is \$6.3 million
  - Potential BATA project capacity of approximately \$79 million
- **At 85% average occupancy**
  - Potential average annual NOI to BATA is \$8.2 million
  - Potential BATA project capacity of \$105 million

Occupancy	70%	75%	80%	85%
NOI	\$ 189,991,030	\$ 209,212,024	\$ 228,433,019	\$ 247,654,013
Cost (net)	140,689,923	140,689,923	140,689,923	140,689,923
Ending Balance	\$ 49,301,107	\$ 68,522,101	\$ 87,743,096	\$ 106,964,090
Breakeven	25	24	23	21
Average NOI	\$ 6,333,034	\$ 6,973,734	\$ 7,614,434	\$ 8,255,134
Project Capacity	\$ 79,162,929	\$ 89,406,848	\$ 97,620,948	\$ 105,835,048

# Accounting And Financial Controls

- **The JPA will be administered under strict California standards**
  - JPA will be subject to separate accounting, audit and financial reporting
  - All residual funds of the JPA will be transferred back to BATA on an annual basis